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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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SEP 14 1994

In the Matter of)

Billed Party Preference)
for 0+ InterLATA Calls)

CC Docket No. 92-77

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

FURTHER REPLY COMMENTS OF THE
INMATE CALLING SERVICES PROVIDERS TASK FORCE

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SUMMARY

Numerous parties are now firmly on the record opposing billed party preference ("BPP") at inmate facilities. Indeed, over six hundred (600) letters and comments have been filed opposing BPP at prisons or jails. The majority of this opposition comes from prison and jail officials -- those who have public responsibility and authority over inmates and inmate facilities. The majority of the LECs now oppose BPP at inmate facilities, and the IXCs have offered no basis for BPP's extension. Any concerns the Commission may have had about an inadequate record on this issue have clearly been erased.

The comments also show that the costs of applying BPP at inmate facilities -- cost that the Commission failed to take into account in its BPP analysis -- are significant and real. No party has submitted any data quantifying a benefit from extending BPP to inmate facilities. Thus, there is no factual basis on which the Commission could conclude that BPP is warranted at these locations.

Indeed, the comments also show that fraud cannot be controlled under BPP as efficiently and effectively as the current system. And the record is clear that BPP would adversely impact the ability of prison and jail officials to control inmate calling, which would ultimately expose the public to potential criminal telephone activity. This inability to control inmate calling will lead to a reduction in inmate calling equipment, inmate calling opportunities and important inmate programs; hundreds of prison and jail officials have made that point clear.

To the extent there is a problem with the rates of certain providers, reasonable rate regulation is a more effective alternative. Any effort to bring lower rates will require Commission enforcement. That is a simple fact. Nevertheless, ICSPTF supports a system whereby the Commission would establish a reasonable rate benchmark for inmate calling rates. A reasonable rate benchmark would assist the Commission with its necessary enforcement duties, and ultimately solve any isolated instances of overcharging in a less expensive and more efficient way than BPP.

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**FURTHER REPLY COMMENTS OF
THE INMATE CALLING SERVICES PROVIDERS TASK FORCE**

The Inmate Calling Services Providers Task Force ("ICSPTF") submits these Further Reply Comments in response to the Commission's Further Notice of Proposed Rulemaking, FCC 94-117 (June 6, 1994) ("FNPRM"), in the above-referenced proceeding.

I. THERE IS WIDESPREAD OPPOSITION TO BPP AT INMATE FACILITIES

In addition to ICSPTF, over six hundred (600) letters and comments vigorously opposing Billed Party Preference ("BPP") at inmate facilities were filed in response to the FNPRM. The majority of this opposition comes from prison and jail officials -- those who have the greatest understanding of the needs at their particular facilities, and those that would suffer the most from BPP's devastating effects. In addition, parties who otherwise support BPP oppose BPP at inmate facilities. Other advocates of BPP failed to support BPP at inmate facilities, or otherwise conditioned their support in such a way that would substantially minimize any potential rate reductions, the only purported benefit of applying BPP to inmate facilities.

A. There Is Overwhelming Opposition To BPP From Other Government Agencies, Particularly Those Which Have Responsibility And Accountability Over Inmate Facilities.

There has been a staggering amount of opposition to BPP from other government agencies, particularly those which have responsibility and accountability for inmate facilities. For example, the Federal Bureau of Prisons, which unlike the Commission has jurisdiction over and is experienced with prison administration and security issues, strongly opposes BPP. The Federal Bureau of Prisons states that through applying BPP to inmate facilities

the FCC would substantially reduce the control of correctional professionals over their telephone systems and place control of this type of call in the hands of third parties. This action could provide greater opportunities for incarcerated persons to perpetuate inappropriate and criminal activity by introducing multiple live operators from multiple long distance carrier into the collect calls process of prisoners.

Comments of Federal Bureau of Prisons at 1. The Departments of Corrections for at least thirty (30) states have raised similar concerns: Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Iowa, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Montana, Nevada, New Hampshire, New York, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Vermont, Virginia, Washington, and Wisconsin.

Other governmental bodies have also raised concerns about the inmate calling issue. The Pennsylvania Public Utility Commission ("PaPUC"), for example, states that because of the unique

circumstances related to inmate calling, the Commission "should not mandate BPP in inmate settings unless provision is made for the continuation of existing safeguards and fraud prevention measures and the effect of its proposal is revenue neutral for detention facilities." PaPUC Reply Comments at 14. Similarly, the National Association of Regulatory Commissioners ("NARUC") has adopted a resolution that urges the Commission to "give further consideration to the reasonable measures that should be taken to prevent fraud associated with BPP, particularly from inmate institutions, and that the costs of those measures must be considered as part of the overall expense of BPP implementation." NARUC Comments at 4.^{1/}

B. Most LECs Oppose BPP At Inmate Facilities.

There is significant opposition to, and a general lack of support for, BPP routing of inmate calls from the local exchange carriers ("LECs"). While several LECs are opposed to BPP generally, some go on to argue that if BPP is nevertheless adopted, the Commission should not extend its application to inmate

^{1/}Accord, Comments of the State of South Carolina's Division of Information Resource Management ("DIRM") (urging the Commission to exempt inmate telephones from BPP); Letter from the Pennsylvania Governor's Office (opposed to BPP for inmate calls); Letter of Gail W. Wekenborg, Missouri's Office of Administration (opposing BPP for inmate calls; see, also, Comments of Idaho Public Utilities Commission (agreeing that inmate fraud needs to be prevented, but nevertheless supporting BPP at correctional facilities); but, cf. Reply Comments of the Florida Public Service Commission at 3 ("we urge the FCC to further study this issue before making a final determination on requiring BPP for inmate calls."); contra, Comments of the Missouri Public Service Commission (supports BPP at prisons).

facilities. Bell Atlantic, for example, is now generally opposed to BPP -- a direct reversal from its earlier position supporting BPP. With regard to inmate calling, Bell Atlantic states that if the Commission nonetheless adopts BPP "it would be foolish to extend Billed Party Preference to inmate services." Bell Atlantic Comments at 17-18. Moreover, Bell Atlantic notes that "there are no technical advances that solve the problem that occurs when inmates have access to multiple networks and operators, and, contrary to the Commission's apparent belief, billed party preference does not increase in any way the exchange carrier's ability to prevent fraud." Id.

Nynex, another Bell Operating Company ("BOC") that is opposed to BPP, states that it has no objection to exempting inmate telephones from BPP even if BPP is adopted. Nynex Comments at 16. Nynex goes on to note that "if inmate phones are exempted, the per call BPP charge for all other operator service calls will increase." Id.^{2/}

There are also LECs who generally support BPP, but nonetheless oppose BPP's extension to inmate facilities. Ameritech, for example, supports BPP in general, but states that correctional facilities should be exempt from BPP. Ameritech Comments at 11-14.

^{2/}Although they did not address the inmate issue directly, BellSouth, who generally opposes BPP, presumably opposes BPP at inmate facilities as well as all other locations. The same can be said for the smaller LECs opposed to BPP. See Comments of the Organization for the Protection and Advancement of Small Telephone Companies ("OPASTSCO"), National Telephone Cooperative Association ("NTCA") and Rochester Telephone Companies. US West did not file comments.

Ameritech goes on to explain why a LIDB-based fraud control service could not be as effective as the current system at controlling fraud from inmate facilities, concluding that "the most effective way to control fraud on inmate-originated calls is with premises equipment on the prison site, coupled with the use of a single carrier." Id.

Finally, there are LECs who generally support BPP, but only with conditions that would likely offset any possibility that BPP will produce lower rates on certain inmate calls. Pacific Bell and Nevada Bell only support BPP at inmate facilities subject to the Commission requiring a back-end compensation mechanism for inmate calling services ("ICS") providers so that they can continue to provide the equipment and services necessary to prevent fraud from inmate facilities. Comments of Pacific Bell and Nevada Bell at 3. The Pacific Bell/Nevada Bell proposal, therefore, would merely shift the revenue stream of the current system, and would be unlikely to produce substantial rate reductions for inmate calls.

In sum, the majority of the LECs have either explicitly opposed BPP at inmate facilities, implicitly opposed BPP at inmate facilities through their general opposition to BPP, or have conditioned their support for the proposal upon the Commission mandating an alternative revenue stream for ICS providers. Only Southwestern Bell and GTE continue to support BPP at inmate facilities. Both parties, however, only provide a cursory discussion of the issue. Neither has addressed the issue of how

much BPP at inmate facilities will cost vis-a-vis any possible rate reductions that could result.

C. The IXC's Comments Offer No Basis For Applying BPP To Inmate Facilities.

Only two of the major interexchange carriers ("IXCs") addressed the application of BPP to inmate facilities, AT&T and Sprint. Neither has shown how BPP could lead to the Commission's primary objective of lowering rates for inmate calls.

To the contrary, AT&T's comments suggest that inmate calling rates may actually rise under BPP, a concern expressed by ICSPTF in its initial comments. AT&T states that it does not support an exemption for inmate facilities since a "significant portion of collect calls" originate from these locations. Thus, AT&T, which is otherwise opposed to BPP, implicitly recognizes that inmate calls would represent an important source of BPP's overall cost recovery in the event BPP is adopted, particularly since inmates would effectively be forced to use the BPP routing scheme while other users would still be free to dial access codes. If access code use should actually rise after BPP, as many have suggested, the per-unit charge for BPP use from all phones, but particularly from inmate facilities, could rise substantially.^{3/}

^{3/}Indeed, the carriers, knowing the origin of calls under BPP, particularly if "flex ANI" is universally deployed, could very well decide to load a significant portion of BPP's costs on inmate calls. See Comments of Nynex at 16 ("if inmate phones are exempted, the per call BPP charge for all other operator service calls will increase.").

Apart from the costs associated with BPP, AT&T states that the carriers must be allowed to tariff special rates for inmate service in order to cover the "unique costs" carriers may incur in providing inmate service, including special fraud protection and security measures necessary to protect carriers and called parties as well as security and call limitation measures required by prison authorities. AT&T Comments at 26. Based upon the evidence in the record, however, it is clear that those "unique costs" could prove to be significant. For example, if carriers under BPP are required to perform in the network the same or similar functionality that inmate calling services providers currently provide on site through the use of CPE, the data on the record shows that those costs could run somewhere in the neighborhood of \$317 million. See Comments of Gateway Technologies, Inc. at 14. Thus, AT&T's support, like the support of Pacific/Nevada Bell, is subject to a condition that is likely to offset the only conceivable purpose of applying BPP to inmate calls.

Sprint, one of the primary advocates of BPP, gives anything but a full-fledged endorsement for BPP at inmate facilities. In fact, Sprint now states that because the "prison environment is a unique one," it "would not oppose an exclusion of inmate-only phones" from BPP, "assuming that their exclusion would not increase the costs of BPP." Sprint Comments at 40. Like AT&T, therefore, Sprint supports BPP at correctional facilities in order for those calls to serve as a cost recovery base for BPP. As explained

above, however, that notion is inconsistent with the Commission's goal of lowering rates for inmate calls.

Sprint also failed to support or provide cost data for the theoretical network-based fraud control services suggested in the FNPRM, even though Sprint was the original proponent of the LIDB-based proposal in an earlier *ex parte* presentation. Likewise, MCI failed to support or comment on the costs and benefits of applying BPP to inmate facilities, despite its earlier efforts to influence the Commission on this issue through its *ex parte* communications.^{4/}

* * * *

In sum, numerous parties are now firmly on the record opposing BPP at inmate facilities. Very few have come out in support. Thus, the Commission's earlier concern about the record on the inmate issue being "inadequate" to make a reasoned decision is no longer valid. The record on this issue is now substantial and more than adequate -- a record that clearly shows that BPP should not be extended to inmate facilities.

^{4/}The Commission should be skeptical of a belated effort by MCI to support BPP at inmate facilities, through data or other reasoning, at the "Reply Comment" stage of this proceeding. Should MCI chose to provide its initial response to the questions in the FNPRM in its Reply Comments, the Commission should, at a minimum, extend the formal pleading cycle in this proceeding to provide interested parties an opportunity to respond to MCI's position, and should avoid relying on the *ex parte* process as a basis for a record.

II. THE COMMENTS DEMONSTRATE THAT THE COSTS OF APPLYING BPP AT INMATE FACILITIES WOULD BE SUBSTANTIAL AND LIKELY TO EXCEED ANY POTENTIAL BENEFIT OF RATE REDUCTIONS

The FNPRM did not provide a estimate of either the costs or benefits of applying BPP to inmate facilities. Several parties have now submitted data on the unique costs of extending BPP to inmate facilities; no party has submitted data on its potential benefit. Nevertheless, as explained below, it now seems clear that in light of the cost data on the record, those costs are likely to exceed whatever rate reduction benefits could possibly be quantified.

A. Costs

Several parties submitted data on BPP's costs. Gateway Technologies, Inc. ("Gateway"), for example, estimates that "the costs of BPP in equipment charges for prisons alone would amount to approximately \$317 -- and about \$127 million merely to replace the installed base of correctional institution CPE -- excluding installation and maintenance expenses." Gateway Comments at 14. Thus, Gateway concludes that "even compared to the \$280 million in potential rate savings estimated for the OSP market (which are not directly germane to inmate collect calling rates), these costs clearly dwarf any potential benefits realized from extending BPP to prisons." Id.

The California DepartmentHP LASERJET 4siHPLAS4.PRSh more than \$7,000,000 in annual recurring costs for "maintenance of equipment and software, line costs, 'LIDB lookups,' and technical assistance." Comments of the California Department of Corrections

at 9-10. Thus, using Gateway's figure of 1.35 inmates nationwide, and assuming there would be comparable deployment of equipment in other locations, the California data shows that the costs of BPP in terms of equipment charges for inmate facilities would be approximately \$174.2 million (i.e. \$129 per inmate x 1.35 million inmates nationwide), with an annual recurring cost of approximately \$75.6 million (\$55 per inmate x 1.35 million).^{5/}

Thus, the evidence in the record shows that the costs of deploying equipment at all prisons to perform the functions performed by inmate calling systems range from a low of 174.2 million to a high of \$317 million, or an annual charge of \$52 million to \$94 million when the FNPRM's amortization factor of .3 is applied. If the lower California maintenance, etc. cost of \$75.6 million per year is added, a conservative annual cost to deploy the CPE that inmate calling system providers would be motivated to deploy in BPP's absence is \$127 million to \$169 million.^{6/}

Moreover, there are other costs of BPP at inmate facilities for which data was not submitted, but which nevertheless must also be taken into account. For example, although the carriers have

^{5/}The lower figure for the California DOC can likely be explained by the fact that the California penal system may be able to realize economies of scale in its purchasing and installation of inmate calling equipment.

^{6/}The Florida Department of Corrections estimated that its equipment-related costs would be approximately \$10 million, but provided no additional data on its inmate population from which a broader figure could be derived. See Comments at the Florida Department of Corrections at 2.

been silent on the data, the costs of requiring every LEC throughout the nation to upgrade their networks to provide "flex ANI" service and/or other fraud-related services within LIDB must also be considered.^{7/}

B. Benefits.

No party has provided any quantifiable data on the purported rate reduction benefit of extending BPP to inmate facilities.^{8/} OT the contrary, the comments now support what ICSPTF suggested in its initial comments regarding inmate calling rates and BPP -- that inmate calling rates may actually increase if BPP applies. Indeed, as discussed above, the comments of Sprint, AT&T and Nynex all confirm that the carriers generally view inmate calls as an important cost recovery base for BPP -- costs that would be added on to every inmate call. AT&T's comments further confirm that carriers will seek additional cost recovery on inmate calls for the additional fraud prevention and security measures they will likely be required to perform in the network.

^{7/}It should be noted that all the costs discussed in the text are in addition to the costs of BPP referred to in the Jackson/Rohlf's study cited in ICSPTF's initial comments.

^{8/}The Commission has apparently assumed that such savings are included within its general estimate of \$280 million per year. The record lacks any evidence to indicate what portion of that \$280 million dollar figure is attributable to potential rate savings from inmate calls, particularly since there is no evidence to suggest that there is an industry-wide problem with unreasonable rates for inmate calls. In any event, it is highly doubtful that the portion of the rate savings postulated by the Commission that are attributable to inmate facilities would approach the costs discussed in the text.

Thus, the record lacks any quantifiable evidence of the potential for rate savings on inmate calls, but provides every indication that rate reductions may be illusory.

C. Costs v. Benefits.

There is now documented evidence on BPP's costs if it is applied to inmate facilities. There are only vague assertions regarding BPP's potential for rate reductions, and, in any event, nothing has been quantified.

The Commission cannot go forward with extending BPP to inmate facilities unless and until it considers the cost/benefit data on the record. See Motor Vehicle Manufacturers Association, Inc. v. State Farm Automobile Insurance Co., 103 S.Ct. 2856 (1983). ICSPTF and others have done what they can to document those costs. With regard to the undocumented costs of the special network upgrades that BPP at inmate facilities would require, the carriers are in the best position to supply the Commission with that data, yet they have failed to do so. See Beaumont Branch of the NAACP v. FCC, 854 F.2d 501, 507-510 (D.C. Cir. 1988) (Commission erred by failing to seek and evaluate relevant data which was in the licensee's exclusive control). Moreover, as explained above, nobody has quantified the benefits of BPP at inmate institutions. In judicial proceedings, it is well settled that the unexplained failure or refusal of a party to produce relevant evidence which would throw light on the issues authorizes an inference or presumption unfavorable to such party. Georgia Casualty Co. v. Hoage, 59 F.2d 870, 873 (D.C. Cir. 1932). The same principle should apply here.

In the absence of better information, the Commission should assume that the reason the advocates of BPP at inmate institutions have failed to produce any relevant cost/benefit data is because they know that such data will produce an unfavorable result.

III. THE COMMENTS DEMONSTRATE THAT FRAUD CANNOT BE CONTROLLED UNDER BPP AS EFFICIENTLY AND EFFECTIVELY AS THE CURRENT SYSTEM.

The FNPRM requests comment on "the effectiveness and costs of controlling fraud originating on inmate lines with and without BPP." FNPRM at 51. ICSPTF and others, such as Gateway, explained that in addition to the need to control calling fraud from inmate facilities, prison officials must control inmate calling for a variety of other security and administrative purposes, each of which provides an independent reason to exempt inmate facilities from BPP. With regard to the issue of fraud prevention in particular, the comments clearly indicate that fraud cannot be controlled under BPP as effectively or efficiently as the current system.

A. There Is No Data Or Empirical Information Supporting "Flex-ANI" Or LIDB-Based Services As Sufficient Alternatives.

The Commission asked for comment on the effectiveness of network-based solutions to the inmate calling fraud problem, particularly whether "flex-ANI" screening and/or LIDB-based velocity queries could substitute as effective alternatives to the current system. Not a single party provided data or other empirical information supporting these proposals.

In fact, the parties that originally suggested these "solutions" either directly reversed their positions or avoided commenting on the issue. For example, as explained above, Ameritech, which originally stated that "flex-ANI" is sufficient to prevent BPP from increasing the prevalence of fraud, now concedes that "the most effective way to control fraud on inmate-originated calls is with premises equipment on the prison site, coupled with the use of a single carrier." Ameritech Comments at 12. Bell Atlantic similarly states that "there are no technical advances that solve the problem that occurs when inmates have access to multiple networks and operators, and, contrary to the Commission's apparent belief, billed party preference does not increase in any way the exchange carrier's ability to prevent fraud." Bell Atlantic Comments at 17.

Meanwhile, Sprint and MCI, which provided the Commission with the proposal for a LIDB-based solution in their earlier *ex parte* presentations, failed to support that solution in their comments. Instead, Sprint merely states that "control of fraud in the present environment depends in large part on the willingness of prisons and OSPs to invest in the proper equipment or systems. On the other hand, control of fraud under BPP would require LECs to provide information to OSPs that is not always provided today." Sprint Comments at 41. MCI avoided commenting on the issue at all.

The evidence that is on the record establishes that universal deployment of "flex-ANI" and LIDB-based fraud services would be

insufficient and expensive fraud control alternatives to the current system. For example, Gateway notes that

Modifying LIDB to replace the CPE-based fraud protection currently available to prisons is likely to be time-consuming, expensive and perhaps impossible. Unlike the remotely monitored CPE used by inmate services providers, the LIDB system is cumbersome and slow; deactivation of terminated lines and calling cards can take as much as a week in LIDB, while selective blocking/unblocking of numbers at correctional institution CPE is handled by Gateway overnight.

Gateway Comments at 19.

Ameritech expands on a defect that ICSPTF raised in its initial comments regarding the reliance on ANI digit screening as a fraud control mechanism -- the fact that ANI digit screening would not provide carriers with specific billing instructions.

Ameritech explains:

Whereas LIDB . . . can detect an inordinate number of calls to a particular number, LIDB cannot itself prevent fraud. For collect calls, LIDB only verifies if the called party will accept the call; Control of such calls is done with screening on the originating line [after which] . . . the LECs and AT&T [must] do additional screening of such calls in order to determine if the calls are collect-only.

Ameritech Comments at 14. Thus, reliance on the "29" screening codes as a primary fraud control would be wholly ineffective.

B. There Is No Cost Data For The Network-Based Proposals, And Thus No Way To Establish Their Cost Effectiveness.

Not only did the general effectiveness of the network-based proposals go unsupported; no party submitted any cost data for the record concerning the network-based proposals. Thus, the well-founded belief of ICSPTF, Gateway and others that it would be enormously expensive to require universal deployment of "flex-ANI" and LIDB-based fraud services by every LEC in the nation stands unrefuted. As explained above, the Commission should draw a negative inference against the proponents of BPP at inmate facilities in light of their failure to provide data on these costs, particularly since the proponents are in the best position to supply the Commission with this data.

IV. THE COMMENTS DEMONSTRATE THAT BPP WOULD ADVERSELY IMPACT PRISON OFFICIALS' CONTROL OF INMATE CALLING, EXPOSE THE PUBLIC TO POTENTIAL CRIMINAL TELEPHONE ACTIVITY, AND ULTIMATELY REDUCE INMATE CALLING OPPORTUNITIES AND BENEFICIAL INMATE PROGRAMS.

The Commission has been besieged with comments that demonstrate how BPP would adversely impact prison officials' control of inmate calling, and thus expose the public to potential criminal telephone activity. The Arizona Department of Corrections, for example, explains how under the current single-provider system "the inmate telephone provider has been able to ensure that the IXC will cooperate and assist [the Arizona Department of Corrections] law enforcement and criminal justice duties." Arizona Department of Corrections Comments at 4. Under BPP, however, "inmates could further perpetuate crime-by-telephone

activities by arranging for multiple outside contacts each with different IXCs in order to maximize the concealment of the illegal endeavors." Id.

The California Department of Corrections states that "because the prisons would be unable to route inmate calls through a centralized data base, the Department would lose control over public safety and security issues such as who the inmate calls and the ability to brand inmate calls." California Department of Corrections Comments at 9. The Federal Bureau of Prisons concludes that the "introduction of BPP at correctional facilities will hinder and possibly eliminate many of the fraud detection and security techniques currently being used at most federal facilities." Federal Bureau of Prisons Comments at 2.

The comments further demonstrate that it is unlikely that correctional facilities will be able to independently finance the sophisticated calling equipment that inmate calling services providers currently supply at no cost to the facility. The likely result will be that inmate calling opportunities will be dramatically reduced. For example, California Department of Corrections explains that in order to continue its current system:

the State would have to purchase, maintain and administer the system with public moneys. We would have to place central processing equipment at each prison to block the calls coming from that prison. A centralized statewide system would have to be purchased to integrate information and block calls from the 28 prisons and 124,000 inmates.

California Department of Corrections Comments at 9-10. As explained above, the initial costs for such a system in California

are estimated to be \$16,000,000 with more than \$7,000,000 for "maintenance of equipment and software, line costs, LIDB "lookups," and technical assistance." Id. Thus, the California Department of Corrections, as well as virtually every other of the hundreds of prison and jail officials that filed letters or comments in this proceeding, anticipates that it may have "to reduce the number of inmate telephones drastically" if BPP applies. Id.

The comments also confirm that BPP will have a devastating effect on the funding for important inmate programs. For example, Friends Outside, an organization that provides valuable educational and human service programs for the benefit of inmates and their families, opposes BPP at inmate facilities since it would take away their primary source of revenue. They conclude that BPP's "cost to the community, through the loss of [important inmate programs,] would be devastating." Letter of Friends Outside, dated August 25, 1994.

C.U.R.E. attempts to address this unavoidable consequence of BPP by arguing that inmate phone providers will continue to provide inmate calling equipment at no cost to the facility because BPP "will not affect immediately the intraLATA and local collect calling market." C.U.R.E. Comments at 6. C.U.R.E. assumes, with no supporting data, that local and intraLATA calling is a significant percentage of the inmate calling market. C.U.R.E. Comments at 7.^{2/} Thus, C.U.R.E. surmises that inmate phone

^{2/}C.U.R.E. has incorrectly assumed that state facilities are "are likely to contain inmate who live within the LATA." C.U.R.E. (continued...)

providers will continue to conduct business as usual with the revenues they receive from local and intraLATA calling traffic, even though the revenues they currently receive from interLATA calling will vanish under BPP.

C.U.R.E.'s logic illustrates how it faces an inescapable dilemma. On one hand, C.U.R.E. is supporting BPP because it apparently believes that BPP will best serve inmate families. At the same time, C.U.R.E. has implicitly recognized that the current system is also important to its membership since it has provided increased calling opportunities and beneficial programs for inmates. Torn between these conflicting interests, C.U.R.E. is now forced to advocate a BPP system which could only be partially applied if the benefits of the current system are to survive.

However, C.U.R.E. has not proposed a viable solution to its dilemma. The inmate calling traffic figures that are in the record indicate that local and intraLATA calling from correctional facilities accounts for 37.6% of the traffic on average.^{10/} Thus, inmate calling services providers would immediately lose, on average, over 60% of their current traffic if BPP applies. Even the most efficient provider could not lose that much of its market

^{2/} (...continued)

Comments at 7. This assertion is clearly wrong. The record shows that local and intraLATA calling is more prevalent from city and county facilities, not state facilities which will typically house inmates from a variety of LATAs. See Comments of Value Added Communications ("VAC") at 4 n. 3. See note 10, infra.

^{10/} See, VAC Comments at 4. When county facilities are analyzed separately, the figure for intraLATA calling traffic appears to rise substantially, to almost 90%. Id.

share and expect to remain in business at all -- much less so without making substantial cuts in the equipment and services it provides for the facility. Thus, the concerns about the likelihood of inmate phone reduction and the elimination of beneficial inmate programs that the California Department of Corrections, groups like Friends Outside, and others have raised are verifiable and real.

Moreover, the partial BPP system that C.U.R.E. supports is wholly inconsistent with the Commission's stated goals in this proceeding. Indeed, the Commission anticipates that BPP's benefits will be augmented upon the deployment of a ubiquitous, nationwide BPP system. Thus, the Commission has "encourage[d] all states to extend [BPP's] application to all intraLATA traffic to maximize the benefits of BPP." FNPRM at ¶ 19. Even if there is validity to C.U.R.E.'s argument, therefore, it would require that the Commission preempt the states and prohibit them from adopting BPP at the LATA level in order to be effective -- something that the Commission has clearly said it will not do. If anything, to be consistent, the Commission would be more likely to preempt the states and require adoption of BPP at the LATA level.

V. TO THE EXTENT THERE IS A PROBLEM WITH THE RATES OF CERTAIN PROVIDERS, REASONABLE RATE REGULATION IS A MORE EFFECTIVE AND EFFICIENT ALTERNATIVE.

A. There Is No Record Of An Industry-Wide Problem.

Several parties have noted that there is no evidence in the record to suggest that there is an industry-wide problem with